

AT A SPECIAL MEETING OF THE BOARD OF SUPERVISORS OF THE COUNTY OF MONTGOMERY, VIRGINIA HELD ON THE 1<sup>ST</sup> DAY OF MARCH, 2012 IN MULTI-PURPOSE ROOM #2 AT THE MONTGOMERY COUNTY GOVERNMENT CENTER, 755 ROANOKE STREET, CHRISTIANSBURG, VIRGINIA:

PRESENT:	James D. Politis	-Chair
	William H. Brown	-Vice Chair
	Gary D. Creed	-Supervisors
	Annette S. Perkins	(arrived at 5:38 p.m.)
	Mary W. Biggs	
	Christopher A. Tuck	
	Matthew R. Gabriele	
	F. Craig Meadows	-County Administrator
	L. Carol Edmonds	-Assistant County Administrator
	Martin M. McMahon	-County Attorney
	Angie Hill	-Financial & Management Services Director
	Marc Magruder	-Budget Manager
	Ruth Richey	-Public Information Officer
	Judy W. Kiser	-Assistant to the County Administrator

### **CALL TO ORDER**

The Chair called the meeting to order.

### **INTO WORK SESSION**

On a motion by Mary W. Biggs, seconded by William H. Brown and carried unanimously,

BE IT RESOLVED, The Board of Supervisors hereby enters into Work Session for the purpose of discussing the following:

#### **1. FY 2012-2013 Budget Presentation**

The vote on the foregoing motion was as follows:

<b><u>AYE</u></b>	<b><u>NAY</u></b>	<b><u>ABSENT DURING VOTE</u></b>
Mary W. Biggs	None	Annette S. Perkins
Gary D. Creed		
William H. Brown		
Christopher A. Tuck		
Matthew Gabriele		
James D. Politis		

## Budget Message

County Administrator Craig Meadows presented his budget message as follows:

“March 1, 2012

Dear Chair Politis and Members of the Board of Supervisors –

It is my privilege to present to you the proposed Montgomery County Fiscal Year 2012-2013 annual budget for your review and consideration. Normally, I state that I am pleased to present the budget to you; however, with the enormous challenges the budget team and I faced in preparing this budget, I am not sure that “pleased” is the appropriate word to describe this presentation.

The upcoming fiscal year is presenting us with an almost “perfect storm” of circumstances. The County issued \$101 million in new debt during the current fiscal year to address critical school needs in Blacksburg and Riner, and now the bill is due. The local composite index, the State’s formula for determining the County’s ability to pay for school expenses, has increased, which means that we will receive less funds from the Commonwealth to fund the same level of school operations. Governor McDonnell’s proposed state budget requires both the County and the schools to pay substantially higher employee retirement rates, specifically for teachers, and on top of all these issues, the federal stimulus funding expires next year, creating another loss of revenue for our schools.

In the midst of this “perfect storm”, we also continue to be very concerned about the fragile state of the local, state, and national economies. While Montgomery County has begun to show signs of recovery in some areas, many of our citizens continue to face tough economic times. With these issues in mind, nearly \$10 million in County funds – above the dollars needed for debt service – requested by departments, agencies, and our school system could not all be funded. While the majority of the requests reflect funds necessary to maintain current service levels, a 24 cent increase in the real estate tax rate to generate these dollars was not something I could recommend to you.

The County’s proposed FY 2013 budget for all funds is \$162.6 million, an increase of \$7.2 million from the current year. Of this amount, \$73 million is from federal, state, and other designated funds; the remaining \$89.6 million represents County dollars not designated for a specific purpose, including \$1.7 million in new growth. Funding for the County’s General Fund is \$41.6 million, which represents an increase of 1.6%, or \$648,395 over the current fiscal year. Of this increase, more than 90% covers mandated costs, the majority related to the increased use of the Western Virginia Regional Jail. The FY 2013 proposed budget for the School Operating Fund is \$91.2 million, which is basically level with the current year budget, although nearly \$3 million in additional county dollars were required to maintain this level of support.

In order to address the funding needed for debt service for new school construction, and to offset a portion of the shortfall requested by the school system, I am recommending a real estate tax rate of 87 cents for fiscal year 2013, an increase of 12 cents from the current real estate tax rate of 75 cents. To fund all the requests that were submitted to the County, including the additional \$8.5 million requested in the schools’ proposed budget, a tax rate of 99 cents would have been required, or another 12 cents in addition to my recommendation.

As staff prepared this budget for your consideration, we kept in mind the Board’s vision for the County. In 2010, the Board adopted the following priorities with regard to your vision in the years ahead:

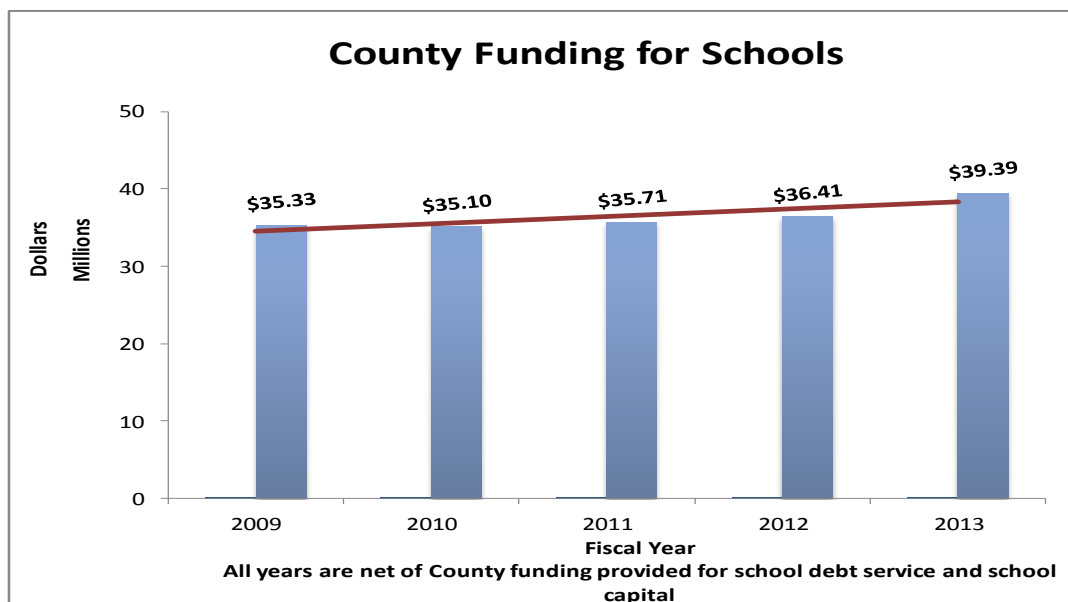
- Economic Diversity – Montgomery County is the Place to do Business
- Recreation – Montgomery County is the Place to Have Fun

- County Services – Montgomery County is a Quality Community
- Health and Safety – Montgomery County is a Safe Place to Live
- Education – Montgomery County is a Great Place for Learning
- Land Use – Montgomery County is a Good Steward of Natural Resources
- Citizen Engagement – Montgomery County is a Citizen Friendly Government

While funding was requested to address many of these initiatives, education and public safety needs are the main priority areas driving the proposed budget and are the primary reasons for the recommended tax rate increase.

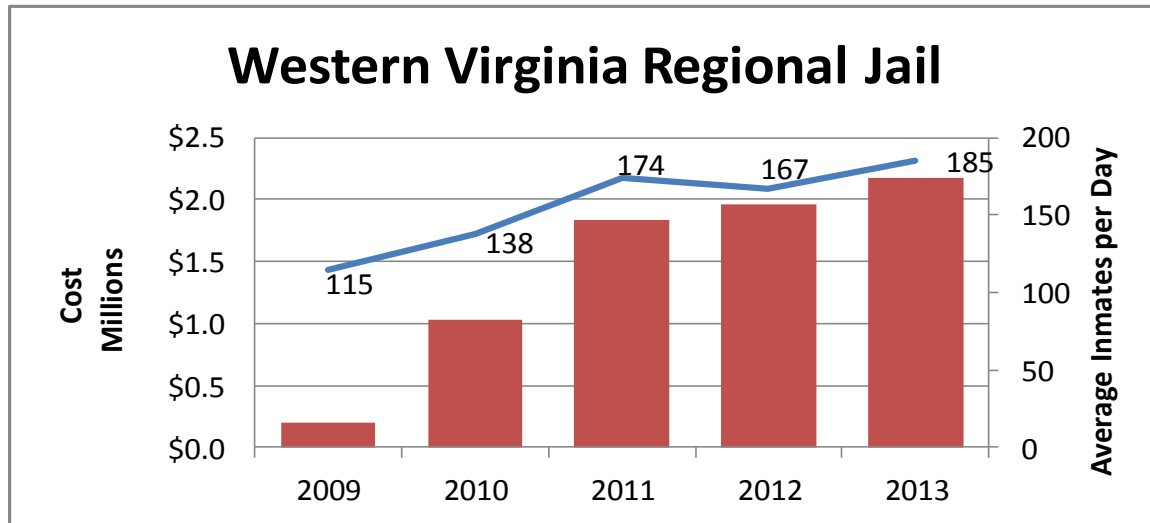
The Montgomery County School Board's proposed budget to the Board of Supervisors included an operational budget of \$96.8 million which, when added to the debt service costs for school facilities of \$18.6 million, would total \$115.4 million requested for school needs. While my budget proposal addresses a portion of the request, the County simply cannot afford to cover the entire amount requested in this economic climate. We recognize that the Governor's proposed budget places significant pressure on funding our school operations at the current level; however, funding the additional debt service cost for three new schools is not optional. The fiscal year 2013 budget as proposed allocates nearly \$3 million of the dollars generated from the proposed tax increase and new growth in the County's tax base towards addressing the schools' shortfall. Also, I am proposing the use of \$750,000 of "windfall" monies to be used for school buses, school facilities repairs, and technology currently in the proposed school budget request. I am cautiously optimistic that some amount of additional state funds for public education will be provided by the General Assembly, and I am also hopeful that the increased County funding proposed will allow the schools to address their most pressing needs.

The following graph outlines County funding to the Montgomery County Public Schools over the last five fiscal years:



In the area of public safety, the County's costs associated with the Western Virginia Regional Jail continue to rise. For fiscal year 2013, an additional \$521,974 will be required to fund the County's usage of this facility, due entirely to the increased number of inmates from Montgomery County who are housed in the facility.

A breakdown of the County's annual expenditures and inmate population for the regional jail is shown on the following graph:



With the new courthouse opening later this year, some of the anticipated cost increases were funded in FY 2012. The added courtroom space increased the need for security personnel as well as the need for additional custodial services. The 2012 budget included funding for six new deputy positions for court security and an additional housekeeper position.

To address reclassification and retention issues among selected positions within his department, the Sheriff requested \$100,000 in additional funds. These same issues are problems for many other County departments, as I continue to hear department heads' concerns about retaining our skilled and experienced staff. To begin to address concerns about the classification of various County positions whose duties and responsibilities have changed, I am recommending \$35,000 from the "windfall" be allocated to begin a comprehensive review of all the County's job classifications. In addition, the Sheriff has requested funds to deal with concerns about the accrual of compensatory time in his department vs. the payment of overtime. I am also recommending that you consider setting aside \$50,000 of the "windfall" to establish a reserve to pay compensatory time for members of the Sheriff's Office.

Our County's fire and rescue volunteers also provide a vital public safety service to our citizens. The proposed budget continues our policy of earmarking one cent of the real estate tax rate for fire and rescue capital needs. It is critical that our volunteers be provided with safe and reliable equipment to effectively and safely perform their duties. Also, I am recommending an increase of \$39,000 for operational expenses of our volunteer departments: \$30,000 to be at the discretion of our Fire and Rescue Commission and \$9,000 to cover increased insurance costs. I am also recommending \$50,000 be set aside for a fuel contingency should rising fuel costs create a shortfall in our volunteer departments' operating budgets.

Like other requests for one-time funds, I am recommending an additional \$53,000 of the "windfall" monies be earmarked for requests from our Fire and Rescue volunteers for costs related to the Poor Mountain tower and a mutual aid repeater.

Facing over \$650,000 in increased benefit costs for County departments, primarily due to the state-mandated increased VRS rate, staff focused on identifying areas where dollars in the current budget could be saved and reallocated to new costs. By continuing the hiring freeze, eliminating retirement incentives, using position turnover savings and redistributing funds for items purchased in the current budget that would not be needed in the next fiscal year, a savings of \$736,000 was reallocated to offset

over 90% of the benefit increases and to fund a 2% merit increase for employees who qualify based on performance. Our County employees work diligently each day to provide the best possible service to our citizens and our businesses, and I greatly appreciate the efforts our employees have made to maintain a high level of service during these difficult budget times.

For the second year in a row, we have been able to cover the cost of our employee health insurance premiums without requesting additional County funds or employee contributions. Our employees are to be commended for their efforts in helping the County minimize its health care expenses.

The County received requests for increased funds for fiscal year 2013 from outside agencies totaling over \$266,000 more than the current \$1.3 million provided by the County. While some of these increases are "mandated", other requests are to continue or add services for our community. Unfortunately, my proposed budget does not recommend providing funding for any new outside agencies for FY 2013, and provides increased funds only to address the mandates or to fund agencies such as the Agricultural Extension Service where a minimal investment may draw significant state funds to restore previously reduced local services.

Approximately nine cents of the recommended 12 cent tax increase is directly related to additional debt service for the new schools in Blacksburg and Riner. For fiscal year 2013, total debt service is \$24.6 million, with \$18.6 million for school debt service and \$6.0 million for County facilities. While our estimate of the additional dollars needed for debt service was projected to be \$7 million, staff once again looked at ways to use existing dollars to minimize the impact of new debt service expense. By reallocating existing funds gained from earmarking pennies of the real estate tax rate in previous years, the new dollars needed to cover the increased cost is reduced from \$7 million to \$6.4 million. In my proposal, this \$635,000 decrease is allocated to the school operating budget.

Costs for operations of the five constitutional offices (Sheriff, Commonwealth's Attorney, Clerk of Court, Treasurer, and Commissioner of the Revenue) total \$15.8 million. For fiscal year 2013, local funds of \$10 million will be required to cover the full cost of operations of these offices – 63% of the total funds necessary. Also, the County continues to spend more in local dollars to support the Department of Social Services and the Comprehensive Services Act. The County is currently providing the Department of Social Services nearly \$460,000 or 73% more than our mandated share for these services. If the Commonwealth expects the localities to continue to bear more responsibility for what are arguably state responsibilities, then local governments should be allowed greater discretion in determining the responsibilities of these offices.

With a recommended real estate tax increase of 12 cents, a "windfall" of approximately \$4.2 million will be generated with the June 2012 tax billing. Because this surplus is not recurring, these monies should be used for capital or other one-time expenses. To address a number of capital projects and maintenance issues for both the County and the schools, I am recommending that the County reserve approximately \$1.8 million of this "windfall" for general capital and maintenance expenses, and earmark an additional \$1 million to establish a reserve for a new animal shelter facility.

The following chart outlines the proposed allocation of the "windfall" dollars.

<b>Recommended Allocation of "Windfall" Dollars</b>		
One time Budget Requests	1,148,610	
Capital Reserve	1,000,000	
Facilities Maintenance Reserve	750,000	
Fuel Reserve	200,000	
Compensatory Time Reserve	50,000	
Animal Shelter	<u>1,000,000</u>	
<b>Total</b>	<b>4,148,610</b>	

Although the past several years have presented us with economic challenges and very difficult choices, it is with your leadership and support that Montgomery County continues to be one of the most progressive counties in the Commonwealth. I am confident that the proposed budget will allow the County to continue on a successful path in the years ahead.

County staff and I will be reviewing the proposed budget information with you in greater detail in the coming weeks. We will also be closely monitoring the General Assembly's changes to the Governor's proposed budget to identify any additional revenue to include in the final budget. Once again, many items on the leadership team's "needs list" were deferred in order to fund requirements and to offset shortfalls. Many items on these "needs lists" were specifically to address Board priorities; however, we simply could not fund these items in this current environment.

I could not provide you with this information without the assistance and hard work of several key County staff members. Carol Edmonds, Angie Hill, and Marc Magruder have reviewed, re-reviewed, and adjusted the numbers included in this budget proposal to ensure that they are as accurate as possible. Susan Dickerson also plays a vital role in the budget process by coordinating the requests from the outside agencies, and preparing a number of the forms that are used in the budgeting process. I greatly appreciate all their efforts in getting this budget to you.

It is my pleasure to serve as your County Administrator, and I look forward to working with you in the weeks ahead as you review and deliberate this proposed budget. The required public hearing on the budget is scheduled for Thursday, March 29<sup>th</sup> at 6 p.m. If the Board agrees, we are scheduled to establish the real estate tax rate and adopt the budget at a special Board of Supervisors' meeting on Monday, April 16<sup>th</sup>.

As you review the budget information over the coming days, please let me know if you have any questions, comments, or issues. Thank you for your leadership and your support.

F. Craig Meadows  
County Administrator"

#### Power Point Presentation

Assistant County Administrator Carol Edmonds made a power point presentation of the FY 2013 Proposed Budget:

# Budget

March 1, 2012

## FY 13 The Process

- ☑ January 9 Public Hearing
- ☑ February 6 Update on Projected Revenue and Requests
- ☑ February 13 School Board Presented Request for Funding

- Reviewing revenue collections to identify any added \$'s
- Challenging the base budget for savings and reallocations
- Preparing the Proposed Budget and tax rate



March 1 Presentation of Proposed Budget

- Discussion of Proposed Budget and Tax Rate

March 19 Establish Advertised Tax Rate and Budget (5:30 pm)  
March 29 Public Hearings on Tax Rate and Budget (6:00 pm)  
April 16 Vote on Tax Rate and Budget (6:00 pm)

## FY 13 Budget Overview

▶ Total Proposed Budget = \$162.6 Million

		<u>Total Increase</u>
• General Fund	= \$ 41.6 Million	\$ 0.7 Million
• School Operating Budget	= \$ 91.2 Million	\$ 0.0 Million
• School Cafeteria Fund	= \$ 4.0 Million	\$ 0.0 Million
• County Capital (F&R)	= \$ 0.7 Million	\$ 0.0 Million
• Law Library	= \$ 0.0 Million	\$ 0.0 Million
• Debt Service	= \$ 24.6 Million	\$ 6.5 Million
• Revenue Stabilization	= \$ 0.5 Million	\$ 0.0 Million
• Total	= \$162.6 Million	\$ 7.2 Million

### \$7.2 Million Increase Over FY 12

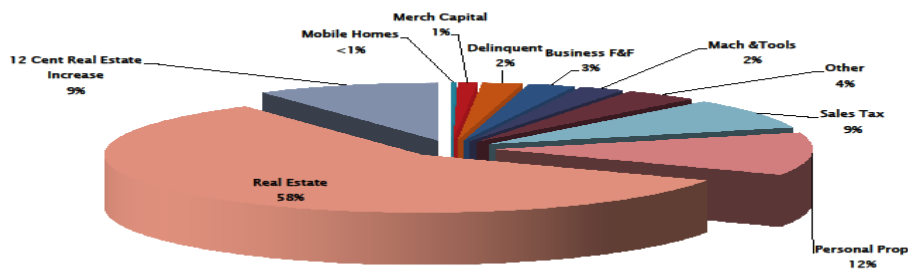
Dollars from Growth	\$ 1.7 Million
Dollars from Tax Increase	\$ 8.4 Million
Other Dollars GF Designated	(\$ .1) Million
Schools State Dollars Cut	(\$1.7) Million
Schools Federal Dollars Cut	(\$1.1) Million
Schools Loss of One-time \$'s	(\$0.3) Million
School Cafeteria \$'s	\$ 0.1 Million
Increased use of Debt Reserve	\$ 0.2 Million

Total \$7.2 Million

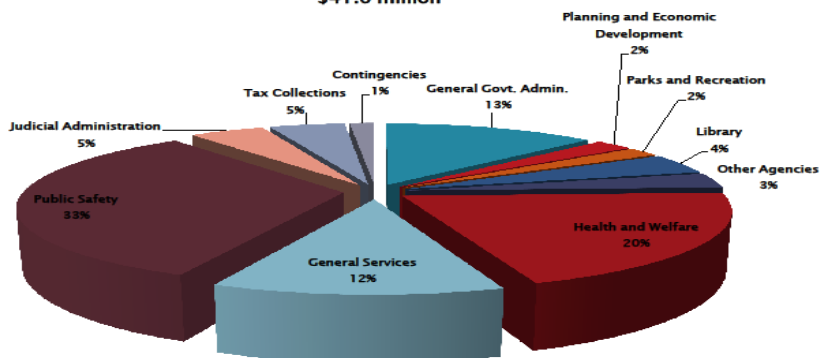
**Proposed Tax Rate is 87 Cents which is a 12 cent increase.**

Note: All numbers are rounded

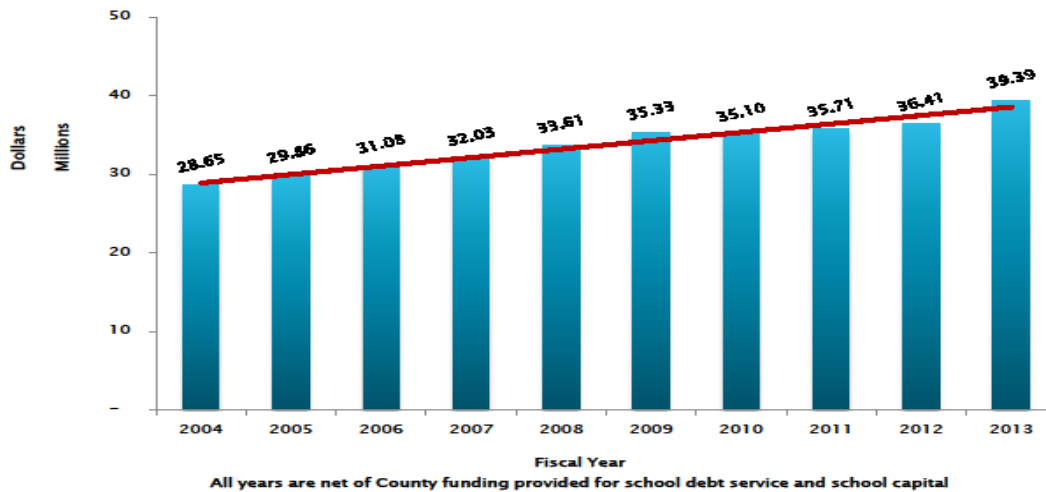
**Undesignated Revenue  
\$89.6 Million**



**General Fund Functions  
FY 2013 Proposed Budget  
\$41.6 million**



**County Funding for School Operations**





## FY 13 Public Safety

### ► Public Safety

- \$521,974 added for cost of the regional jail
- \$ 10,000 added for Tactical team training
- \$ 3,912 added for VA Forensic Academy
- \$ 4,378 added for On-line Subscription
- \$ 5,200 added for crime prevention supplies
- \$ 10,200 added for equipment and supplies
- \$ 39,000 added for Fire and Rescue
- **\$594,664 added for Public Safety**

- Recommendation that \$50,000 of the “windfall” be set aside for the payment of compensatory time in the Sheriff’s Office.

## FY 13 School Operating Fund

### School Operating Fund

**\$2.98 Million added for School Operations**

- From New Growth = \$ 0.94 Million
- From \$’s from 10¢ for debt = \$ 0.64 Million
- From 2 cent RE increase = \$ 1.40 Million
- Total = \$ 2.98 Million**

\$750,000 is also recommended from the “windfall” \$’s to cover one-time items in the proposed school budget for technology, buses and building repair.

**Total Additional Funding for School Operating Needs \$3.7 Million**

## FY 13 General Fund

- Total General Fund including Mandates to Other Agencies increased 1.59%

- \$.65 Million over the FY 12 Approved Budget due largely to the following mandates\*:

WVRJ	\$ 521,974
Health Dept	\$ 21,165
Outside Agencies	\$ 59,258
<b>Total</b>	<b>\$ 602,397</b>

\* Includes 911Authority, Fairview Home and PDC

## FY 13 General Fund

- ▶ Excluding the Mandates to Other Agencies, the General Fund increase would be only=0.11%.
- Savings in the base budget allows most of the increased FY 13 benefit costs to be absorbed:

Turnover Savings	(\$275,516)
Frozen Position Savings	(\$210,277)
Retirement Incentive	(\$162,500)
Cannery	(\$8,114)
Elimination FY 12 one X cost	(\$79,200)
<b>Total Savings</b>	<b>(\$735,607)</b>

## FY 13 Use of One-Time Monies

- ▶ \$750,000 to address school requests included in the proposed school budget.
- ▶ \$398,610 to address one-time county requests.

<b><u>Sheriff</u></b>	
K9 + Training	\$ 17,300
Office Equipment and Supplies	\$ 3,200
<b><u>Fire and Rescue</u></b>	
Mutal Aid Repeater	\$ 13,000
Poor Mt Tower Project	\$ 40,000

## FY 13 Use of One-Time Monies

<b><u>General Services</u></b>	
Land Development Office software	\$ 60,000
<b><u>Parks and Rec</u></b>	
Benches and Signage	\$ 6,000
Equipment	\$ 7,200
Motor Mile Park compliance	\$ 150,835
<b><u>Registrar</u></b>	
Poll books etc	\$ 3,075
<b><u>Clerk</u></b>	
efiling	\$ 28,000

## FY 13 Use of One-Time Monies

<b><u>Other Items</u></b>	
Museum Roof	\$ 5,000
Mountain View Humane -Pilot Project	\$ 30,000
Classification Study	\$ 35,000

Grand Total County and Schools =\$1,148,610

## FY 13 Use of One- Time Monies

<b><u>Recommended Allocation of "Windfall" Dollars</u></b>		
One time Budget Requests	\$ 1,148,610	
Capital Reserve	\$ 1,000,000	
Facilities Maintenance Reserve	\$ 750,000	
Fuel Reserve	\$ 200,000	
Compensatory Time Reserve	\$ 50,000	
Animal Shelter	\$ 1,000,000	
<b>Total</b>	<b>\$ 4,148,610</b>	



## FY 11 Year-End Reserve Funds

**Current Reserve Funds include:**

▶ Debt Service- Earmarked for "shaving" debt	\$ 700,000
▶ Capital Reserve-	\$ 500,000
▶ Landfill Reserve-	\$ 250,000
▶ Facilities Reserve-	\$ 723,000
▶ Road Maintenance-(Revenue Sharing)	\$ 51,500
▶ Auto Graveyard-	\$ 121,033
▶ Technology Reserve-	\$ 143,213
▶ Rainy Day Fund-	\$1,000,000

# General Assembly Actions

- ▶ “Flexible Cut”–
  - Portion of Dollars restored In House and Senate– Between \$200,000–\$300,000 possible.
- ▶ School Funding–
  - House –revenue increase of \$56,452 and reduction of VRS teacher rate by 1.43% which would reduce the cost by about \$723,000.
  - Senate–revenue increase of \$491,712 and no VRS rate change.

## Next Steps

- ▶ Establish Advertised Tax Rate and Budget – Must Establish by March 19, 2012 to Meet Public Hearing Date.
- ▶ Hold Public Hearing on the Tax Rate – Scheduled for March 29, 2012 at 6:00 p.m.
- ▶ Set Tax Rate– Scheduled for April 16, 2012 at 6:00 p.m.
- ▶ Adopt the Budget–Scheduled for April 16, 2012 at 6:00 p.m.

Supervisor Gary Creed distributed the following information:

### 2012-13 TAX PLAN FOR MONTGOMERY COUNTY AS SUGGESTED BY GARY CREED

IT TAKES 10 PENNIES OF REAL ESTATE TAX INCREASE TO PAY FOR THE THREE NEW SCHOOLS BEING BUILT IN MONTGOMERY COUNTY. EACH PENNY EQUALS \$700,000.00. THEREFORE, 10 PENNIES EQUAL \$7,000,000.00. THE CITIZENS ARE TAXED 6 MONTHS BEFORE THE TAXES ARE NEEDED TO PAY THE DEBT. THEREFORE, THERE IS A \$3,500,000.00 WINDFALL TO THE COUNTY. ALSO THERE IS \$1,400,000.00 IN REVENUE IN NEW GROWTH FOR THE COUNTY. THIS GIVES US A TOTAL OF \$4,900,000.00 TO WORK WITH. MY SUGGESTION IS, WE USE 8 PENNIES AND CARRY OVER 2 PENNIES FOR ONE YEAR. THIS WOULD TAKE SOME OF THE BURDEN OFF THE TAXPAYERS AND PAY FOR THE 3 NEW SCHOOLS, LEAVING \$3,500,000.00 IN NEW MONIES FOR THE COUNTY TO DISTRIBUTE AS NEEDED.

## **OUT OF WORK SESSION**

On a motion by Gary D. Creed, seconded by Annette S. Perkins and carried unanimously,

BE IT RESOLVED, The Board of Supervisors ends their Work Session to return to Regular Session.

The vote on the foregoing motion was as follows:

### **AYE**

Matthew R. Gabriele

Mary W. Biggs

Gary D. Creed

William H. Brown

Christopher A. Tuck

Annette S. Perkins

James D. Politis

### **NAY**

None

## **ADJOURNMENT**

The Chair declared the meeting adjourned at 6:29 p.m.

The Board adjourned to Monday, March 12, 2012 at 5:30 p.m.

APPROVED: \_\_\_\_\_

James D. Politis,  
Chair, Board of Supervisors

ATTEST: \_\_\_\_\_

F. Craig Meadows  
County Administrator